

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 ACDA-12 CIAE-00 INR-07 IO-13 L-03
NSAE-00 NSC-05 EB-08 NRC-05 OES-07 SOE-02 DODE-00
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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 453

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 861

E. O. 11652: GDS
TAGS: ENRG, RP, US
SUBJECT: LOCAL PRESS REACTION TO WESTINGHOUSE NUCLEAR POWER
PROJECT STORIES

REF: (A) MANILA 0790, (B) STATE 009240, (C) STATE 011010

1. SUMMARY. LOCAL PRESS COVERAGE OF ALLEGATIONS IN AMERICAN
PRESS OF POSSIBLE WRONG-DOING BY WESTINGHOUSE IN NEGOTIATION
AND PRICING OF THE NUCLEAR POWER PROJECT HAS BEEN PROMINENT,
AND PRESIDENT MARCOS'S REACTION TO IT DIRECT. MOST SIGNIFI-
CANT WAS FRONT-PAGE HEADLINED ARTICLE CITING REP. CLARENCE D.
LONG (MARYLAND) AS EXPRESSING STRONG OPPOSITION TO GRANTING AN
EXPORT LICENSE FOR THE NUCLEAR REACTOR. END SUMMARY.

2. THE WIDEMAN (WASHINGTON POST, DECEMBER 19, 1977) AND KRAMER
(WALL STREET JOURNAL, JANUARY 12, 1978) ARTICLES CONCERNING
THE HERMINIO DISINI CORPORATE EMPIRE, IT ALLEGED TIES TO THE
PALACE, AND ITS ROLE IN THE WESTINGHOUSE NUCLEAR POWER PROJECT
HAVE NOT AS YET SURFACED IN THE LOCAL PRESS. MORE SPECIFI-
CALLY, THERE HAS BEEN NO REPORT TO DATE OF THE KRAMER ALLEGA-
TIONS IN THE WALL STREET JOURNAL ARTICLE OF STATE DE-
PARTMENT'S "INFORMAL" REPORT TO EXIM THAT WESTINGHOUSE
MAY HAVE MADE "IMPROPER PAYMENTS". WE UNDERSTAND, HOW-
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EVER, THAT GOP OFFICIALS WERE QUITE CONCERNED ABOUT THE
WIDEMAN ARTICLE FROM THE BEGINNING AND WERE TAKING STEPS
TO COUNTERACT IT WHEN THE KRAMER/BUTTERFIELD ARTICLES
SURFACED. (EMBASSY MEMOS BEING POUCHED EA/PHL).

3. THE BUTTERFIELD NEW YORK TIMES ARTICLE OF JANUARY 14
(REFTEL C) HAS RECEIVED PROMINENT PLAY LOCALLY. EXCERPTS

FROM THE ARTICLE WERE PRINTED IN FRONT-PAGE ARTICLE IN DAILY EXPRESS OF SUNDAY, JANUARY 15, 1978, WITH TITLE, "MARCOS MAY SCRAP N-PLANT CONTRACT", UNDER UPI NEW YORK BYLINE. ARTICLE INCLUDED MARCOS QUOTES BY BUTTERFIELD THAT "NO MATTER WHAT ANYBODY THINKS, IF THERE IS ANY INSINUATION THAT ANY FRIEND, RELATIVE OR GOLF PARTNER HAS TAKEN ADVANTAGE OF THEIR RELATIONSHIP, WE ARE GOING TO RECTIFY THIS. I WANT TO ASSURE YOU I AM SINCERE ABOUT THIS." IT ALSO INCLUDED BUTTERFIELD QUOTE THAT THE PRESIDENT "SEEMED TO BE TRYING TO HEAD OFF FURTHER CHARGES OF CORRUPTION THAT COULD TOUCH HIM PERSONALLY."

4. OFFICIAL ACTIONS (PRESUMABLY IN RESPONSE TO US PRESS ARTICLES) AS REPORTED IN PRESS LOCALLY HAVE BEEN DIRECT. MARCOS HAS ORDERED ENERGY SECRETARY VELASCO AND SOLICITOR GENERAL MENDOZA TO UNDERTAKE AN INVESTIGATION OF THE WESTINGHOUSE CONTRACT. NATIONAL POWER CORPORATION (NPC) GENERAL MANAGER CONRADO DEL ROSARIO ISSUED PRESS STATEMENT DENYING MANY OF THE ALLEGATIONS AND WELCOMING THE INVESTIGATION (REFTEL A). FYI: WESTINGHOUSE REPS TOLD EMBOFFS JANUARY 17 THAT INVESTIGATION WILL NOT BE A WITCH-HUNT. IT WILL BE "INFORMAL" AND "INTERNAL". FORMAT FOR QUESTIONS, AND ANSWERS DESIRED, WILL BE GIVEN TO NPC IN ADVANCE, AND NPC WILL BE TOLD NOT TO VOLUNTEER ANYTING. END FYI.

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5. ALL FOUR MAJOR LOCAL DAILIES JANUARY 17 CARRIED FRONT-PAGE ARTICLES STATING THAT PRESIDENT MARCOS HAS ORDERED THE "DIVESTMENT" OF THREE BIG COMPANIES BELONGING TO THE HERDIS GROUP WHICH HE ORDERED SOLD TO REGIONAL COOPERATIVES, THE PHILIPPINES VETERANS INVESTMENT AND DEVELOPMENT CORPORATION, AND THE NATIONAL INVESTMENT DEVELOPMENT CORPORATION. ACCORDING TO PRESS REPORTS, DIVESTMENT IS THE COMPULSORY TRANSFER OF TITLE OR DISPOSAL OF INTERESTS UPON GOVERNMENT ORDER. INFORMATION SECRETARY FRANCISCO TADAD SAID THE GOVERNMENT EXPOSURE IN THE THREE COMPANIES IS AT LEAST P500 MILLION (APPROXIMATELY \$68.5 MILLION). AS REPORTED IN BUSINESS DAY OF JANUARY 17, "THE MALACANANG ORDER, TADAD SAID, IS INTENDED TO BREAK UP ECONOMIC OR BUSINESS EMPIRES WHICH HAVE BENEFITED FROM CLOSE RELATIONS WITH THE PRESIDENT AND WHICH HAVE ACCRUED EXTRA BENEFITS FROM THE GOVERNMENT THROUGH FINANCIAL ASSISTANCE OR INVESTMENT. PART OF THE REASON FOR THE DIVESTMENT, TADAD

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EXPLAINED, IS THE PRESIDENT'S CONCERN THAT ANY PERSONAL RELATIONSHIP HE MAY HAVE WITH THE OWNERS IS NOT MISINTERPRETED BY ANYONE WITHIN OR OUTSIDE THE GOVERNMENT AS HAVING PLAYED A PART IN SECURING ANY ACCOMMODATION FOR THESE COMPANIES". THESE HERDIS COMPANIES ARE ALL PIONEERING CAPITAL INTENSIVE ENTERPRISES THAT ARE PROJECTED TO BE MARGINALLY PROFITABLE IN THE NEAR TERM.

6. OF MORE DIRECT CONCERN TO THE EMBASSY, HOWEVER, IS THE JANUARY 17 FRONT-PAGE FEATURE ARTICLE IN BULLETIN TODAY HEADLINED "WILL BATAAN UNCLEAR PLANT BE SCRAPPED" WHICH CITES REPRESENTATIVE CLARENCE D. LONG'S OPPOSITION TO THE PROJECT. THE ARTICLE BEGINS, "THE CHAIRMAN OF THE POWERFUL US HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS (SIC) HAS THROWN A MONKEY WRENCH INTO THE 1.2 BILLION NUCLEAR PLANT BEING CONSIDERED FOR ERECTION IN THE BATAAN PENINSULA. REP. CLARENCE D. LONG (MARYLAND, 2ND DISTRICT) EXPRESSED STRONG OPPOSITION TO GRANTING AN EXPORT LICENSE FOR A NUCLEAR REACTOR IN THE PHILIPPINES AND PROPOUNDED A LITANY OF QUESTIONS, WHICH HE FELT THE US NUCLEAR REGULATORY COMMISSION SHOULD VERIFY AND ANSWER BEFORE A FINAL DECISION IS MADE ON THE BILLION-DOLLAR PROJECT". ARTICLE THEN GOES ON TO DETAIL QUESTIONS OF ECONOMIC VIABILITY OF NUCLEAR POWER FOR LDC', SAFETY CON-

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SIDERATIONS TIED TO REGULATORY FUNCTIONS, ADEQUACY OF LOCAL CONTRACTORS, SEISMIC CONSIDERATIONS, ETC. EMBASSY UNDERSTANDS THAT POINTS RAISED IN ARTICLE AND FACT OF HEAVY OPPOSITION TO U.S. EXPORT LICENSING FOR THE

PROJECT WERE CONTAINED IN LETTER FROM LONG TO USNRC, A COPY OF WHICH HE SENT BY AIRMAIL DIRECTLY AND EXCLUSIVELY TO THE BULLETIN TODAY.

7. WESTINGHOUSE REPS ADVISED US DURING CALL JANUARY 17 (SEPTEL) THAT REPRESENTATIVE LONG'S THREAT AS REPORTED IN BULLETIN TODAY IS A MATTER OF IMMEDIATE CONCERN TO GOP AUTHORITIES. EMBASSY EXPECTS TO RECEIVE INQUIRIES ABOUT STATUS OF EXPORT LICENSES, CONGRESSIONAL ROLE WITH RESPECT TO THEM,, AND NATURE OF ANY ACTION TAKEN OR UNDER CONSIDERATION BY EXIM BANK.

8. ACTION REQUESTED: PLEASE PROVIDE EMBASSY AS COMPLETE A STATUS REPORT AS POSSIBLE ON CURRENT PLAY IN WASHINGTON ON THIS WHOLE ISSUE, INCLUDING BUT NOT NECESSARILY CONFINED TO: EXPORT LICENSES FOR THIS PROJECT AND WHETHER INDEED APPROVAL IS THREATENED, JUSTICE DEPARTMENT INVESTIGATION OF WESTINGHOUSE, SPECIFICALLY AS IT RELATES TO THIS PROJECT (STATE 009240 AND STATE 010272), AND ATTITUDE OF EXIM ITSELF VIS-A-VIS THESE ALLEGATIONS. RESPONSE SHOULD BE GEARED BOTH TO GIVING EMBASSY THOROUGH BACKGROUND ON WASHINGTON OFFICIAL REACTIONS TO THE ALLEGATIONS AND ACTIONS WE CAN EXPECT AS WELL AS GUIDANCE AND INFORMATION FOR OUR USE IN RESPONDING TO INEVITABLE LOCAL INQUIRIES.

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